

SENATE BILL REPORT

SB 6292

As Passed Senate, February 10, 1996

Title: An act relating to member insurers and the persons to whom coverage is available under the Washington life and disability insurance guaranty association.

Brief Description: Defining member insurers and who they cover.

Sponsors: Senators Prentice, Sellar, Fraser and Quigley; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions & Housing: 1/11/96, 1/23/95 [w/oRec-WM].

Ways & Means: 1/25/96 [w/oRec-FIH].

Financial Institutions & Housing: 1/30/96 [DP]

Passed Senate, 2/10/96, 46-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: That it be referred to Committee on Ways & Means without recommendation.

Signed by Senators Prentice, Chair; Hale, Roach and Sellar.

Staff: Catherine Mele (786-7470)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That it be referred to Committee on Financial Institutions & Housing without recommendation.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Pelz, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: Steve Jones (786-7440)

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar and Smith.

Staff: Catherine Mele (786-7470)

Background: The Legislature created the Washington Life and Disability Insurance Guarantee Association (WLDIGA) in 1971. WLDIGA protects policyholders in the event

that life and disability insurers become insolvent. WLDIGA raises funds to protect policyholders by assessing member insurance companies after an insolvency occurs. Member companies are assessed based on their percentage of premiums received in Washington, up to a maximum of 2 percent of premiums. In order to conduct business in Washington State, life and disability insurers must be members of WLDIGA.

The issue has been raised that WLDIGA fails to provide policyholders coverage in certain cases. For example, a Washington consumer purchases a policy from a Washington domiciled insurer and then moves to another state where the insurer does not conduct business. As a resident of another state, the consumer is not protected by WLDIGA. The National Association of Insurance Commissioners has recommended, as a standard of state accreditation, that each state require life and disability guarantee associations to extend such coverage to policyholders who have changed residence.

Summary of Bill: A Washington resident who purchases a life, health, or annuity policy from a Washington domiciled life or disability insurer and then moves is granted coverage by WLDIGA, even if the insurer does not conduct business in the state where the person resides.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Currently the Washington Life and Disability Guaranty Fund does not cover citizens who purchase insurance in Washington and then move to another state. This bill would make the guaranty fund cover these individuals. The National Association of Insurance Commissioners (NAIC) recommends this bill as part of each state's accreditation. Life and disability insurance companies endorse this concept and support this legislation.

Testimony Against: None.

Testified: John Woodall, Office of Insurance Commissioner (pro); Basil Badley, ACLI.